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April 22, 2008

AGENDA ITEM 5

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION
COMMITTEE**

- I. SUBJECT:** June 30, 2007 Legislators' Retirement System
Actuarial Valuation Report and Transmittal Letter to
the Governor and Legislature
- II. PROGRAM:** Actuarial & Employer Services
- III. RECOMMENDATION:**

It is recommended that the Committee accept and recommend to the Board of Administration approval of the June 30, 2007 Legislators' Retirement System Actuarial Valuation Report and transmittal letter with adoption of an employer contribution of \$0 as well as a 0% contribution rate for all members for the period of July 1, 2008 to June 30, 2009.

IV. ANALYSIS:

Enclosed is the CalPERS staff actuarial valuation report as of June 30, 2007, for the Legislators' Retirement System. Also attached is the transmittal letter to the Governor and Legislature. The following table summarizes key results from the valuation:

	June 30, 2006 (FY 2007-08)	June 30, 2007 (FY 2008-09)
Present Value of Benefits	\$105,988,012	\$105,930,911
Actuarial Value of Assets	\$139,986,652	\$141,603,105
Superfunded	Yes	Yes
Market Value of Assets	\$133,632,062	\$142,209,494
Investment Return	2.0%	12.6%
Recommended Employer Contribution Rate	\$0	\$0

Benefits and Program Administration Committee
April 22, 2008

Recommended Employee Contribution Rate	0%	0%
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A court case regarding alleged past due payments totaling approximately \$8 million is pending. Regardless of the outcome, the LRS plan is expected to continue to be superfunded. However, such a payment would impact the plan by significantly reducing the length of time that the fund would be superfunded which would lead to requiring contributions again.

In February 2000, the Board of Administration moved to set the member contribution rate of this system to 0% on an annual basis according to the superfunded status of this system. Accordingly, it is recommended that the Board of Administration adopt a member contribution rate of 0% for the coming fiscal year of July 1, 2008 to June 30, 2009.

Per Executive Order S-25-06 by the Governor, the Public Employee Post-Employment Benefit Commission issued its Final Report on Post Employee Benefits in January 2008. Recommendation 7 states:

Generally, employer contributions should not fall to zero. An employer should be permitted to have a full or partial contribution holiday only when its retirement plan is substantially overfunded. As used here, "substantially overfunded" means that the existing surplus is used to pay for all or part of the normal cost only after that surplus is amortized over a 30 year period, the longest amortization period allowed by GASB. In particular, employer contributions should fall to zero ("full contribution holiday") only in the rare situation that the surplus is so great that it could be expected to fund a full 30 years of normal costs.

The current level of surplus in the LRS plan is such a rare situation. The recommendation to adopt an employer contribution of \$0 as well as a 0% contribution rate for all members for the period of July 1, 2008 to June 30, 2009 is consistent with the recommendation of the Commission.

The June 30, 2007 actuarial valuation establishes the actuarially required employer contribution for the fiscal year July 1, 2008, through June 30, 2009.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

Benefits and Program Administration Committee
April 22, 2008

VI. RESULTS/COSTS:

See enclosed actuarial report.

David Clement
Senior Pension Actuary

Ron Seeling, Chief Actuary
Actuarial & Employer Services Division

Attachments

